

TOP SECRET

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25X1

State Department review completed

TOP SECRET

SUMMARY

FAR EAST

1. Vietnam desires equal voice in French Union (page 3).

NEAR EAST

2. Iranian oil commission head refuses to return to Abadan (page 3).
3. Anglo-American Security Council Resolution on Iran to be released on 12 October (page 4).

WESTERN EUROPE

4. Austrian Government will try to expel Communist labor organization (page 5).
5. Soviet official asserts willingness of USSR to participate in Austrian treaty talks (page 5).
6. French Finance Minister appears distressed over task of presenting budget to Parliament (page 6).
7. Italians expect greater benefits from trade with Soviet bloc (page 7).

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25X1A

- 2 -

25X1A

FAR EAST

1. Vietnam desires equal voice in French Union:

25X1A

Bao Dai's representative in Paris told a US Embassy official that his government will press for equal representation for all participating countries during the forthcoming

inaugural meeting of the High Council of the French Union. He points out that the constitution of the French Union was drawn up by France and therefore "does not represent present realities. "

Comment: The Vietnamese take the position that the constitution of the French Union (which forms part of the constitution of the Fourth French Republic) is flexible, and they will continue to press for an organization within which France is "first among equals" rather than--as at present--the sole arbiter of policy for the entire French Union.

While no reports have been received on the exact position which the French will take in the forthcoming High Council meeting, they are determined to maintain their position of ascendancy in the French Union. French intransigence on this issue would arouse much ill-feeling among the Vietnamese.

NEAR EAST

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2. Iranian oil commission head refuses to return to Abadan:

Parliamentary Deputy Makki now intends to remain in Tehran rather than to return to Abadan, where he has headed the Joint Oil Commission. He has declared that the

expulsion of the British technicians concluded his duties in Abadan and that another committee member has taken over the responsibility for supervising the administration of the oil industry. The US Ambassador in Tehran believes that Makki is unwilling to be held responsible for the

- 3 -

25X1A

difficult job of coping with the unemployment and unrest which are expected in Abadan.

Comment: Makki, one of the popular leaders of the National Front, often acts as Prime Minister Mossadeq's right hand man. His political ambitions may account for his presence in Tehran during the Prime Minister's absence. He is the most demagogic and opportunistic of the National Front deputies and has been a prime factor in the past in whipping up nationalistic sentiment.

3. Anglo-American Security Council Resolution on Iran to be released on 12 October:

25X1A



The American-British draft resolution requesting the reopening of negotiations on the Anglo-Iranian oil dispute will be released to the press on 12 October, after Prime Minister Mossadeq has seen it. Sir Gladwyn

Jebb has stated further that Great Britain wanted the text published on schedule even if seven votes in support of it had not yet been assured.

Comment: Release of the text of the resolution to the press may complicate the situation. Prime Minister Mossadeq, when expressing a desire to reopen negotiations prior to Security Council consideration, stated that his strong presentation of Iran's case to the UN would preclude further negotiations. Publication of the draft accordingly may persuade him that he has been denied the opportunity of private negotiations and could induce him to concentrate on refuting the Security Council's competence.

25X1A



WESTERN EUROPE

4. Austrian Government will try to expel Communist labor organization:

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Foreign Minister Gruber has told the US High Commissioner in Vienna that the Austrian Cabinet decided on 9 October to declare the World Federation of Trade Unions

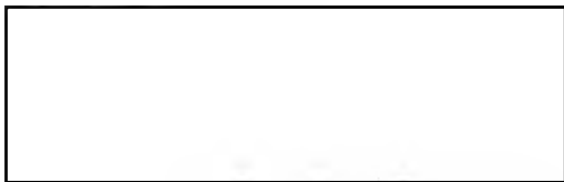
illegal and expel it from Austria. Public announcement of this ban would soon be made. However, Gruber believes that, in spite of this decision, the federation will remain in Vienna under Soviet protection.

Comment: The Austrian Government and the Western powers have objected to the presence of the federation's headquarters in Vienna ever since it moved there last April following expulsion from Paris. However, the Austrian Government, despite Western prodding, has not felt until now that it could take definite action in the face of Soviet opposition.

The new, stronger attitude of the Austrian Government may be an encouraging sign, but it could also be designed merely to place responsibility for the continuation of the unpopular Communist organization in Austria squarely upon the Soviet occupation forces.

5. Soviet official asserts willingness of USSR to participate in Austrian treaty talks:

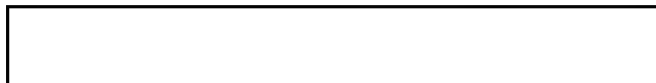
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The Soviet political adviser in Vienna, recently returned from a Russian vacation, has assured Foreign Minister Gruber that the Soviet Government would participate in

any new meeting of the Deputy Foreign Ministers on the subject of an Austrian treaty. Queried as to his government's attitude on the treaty, the Soviet adviser replied that it has not changed from that stated by Gromyko at the Paris meeting. Gruber says that the political adviser

25X1A



was unusually friendly and gave the impression that Moscow wishes to avoid new controversies with the Austrian Government.

25X1

Comment:

since Soviet tactics in Austria have heretofore included "both the stick and the carrot" it is doubtful that any change in Russian policy is indicated.

At Paris, the Soviets linked the issue of Trieste with the question of an Austrian treaty settlement.

6. French Finance Minister appears distressed over task of presenting budget to Parliament:

French Minister of Finance Mayer is even more concerned than Premier Plevin over the political consequences of presenting to Parliament the 1952 budget and the adverse

balance of trade prospects. He has indicated to US Embassy officials that a full picture of the present unfavorable economic situation would have to be disclosed. His many difficulties are now complicated by the "tightening treasury position."

Mayer is anxious to proceed with US-French talks on US aid to both France and Indochina. He said that unless the French share of expenditures in Indochina for 1952 can be reduced to about 570 million dollars, it would not be possible to submit to Parliament even an interim budget consistent with French engagements in Europe. The cost of the war in Indochina in calendar year 1952 is expected by the French to approximate a billion dollars.

Comment: French officials at times appear to exaggerate their financial difficulties in an effort to obtain more or prompt US aid. The government's defense program, nevertheless, is seriously jeopardized by the deterioration of the French

- 6 -

25X1A

economic position and the probable opposition, even from coalition deputies, on the budget issue. The US Embassy in Paris recently reported that Pleven was "obviously worried" about his chances of resolving domestic problems.

In September, Foreign Minister Schuman requested US arms and equipment for Indochina in fiscal year 1952 equivalent to about 400 million dollars, which would be over and above French expenditures. This figure equals Schuman's estimate for the French deficit arising from Indochinese expenses in 1952 and is almost double the total amount which the US has proposed for Indochina in fiscal year 1952.

25X1

7. Italians expect greater benefits from trade with Soviet bloc:

Soviet shipments of 200,000 tons of fuel oil and 100,000 tons of crude oil are reported to be on their way to Italy. According to the Italo-Soviet trade agreements of 1948, the USSR was expected to send Italy such petroleum products, but these are the first shipments since the agreements were signed.

A new Italo-Soviet trade agreement is now being negotiated, but has been impeded so far by Italian unwillingness to pay high prices for Soviet wheat, petroleum, coal and manganese.

Recently, the Italians presented to the Coordinating Committee on East-West trade in Paris the details of a barter agreement with Czechoslovakia. Italy would trade ball bearings and industrial and consumer goods for 50,000 tons of coal, special steel and other industrial and consumer goods.

Comment: This year's relatively poor Italian wheat crop and the greater economic activity which the Italians anticipate give imports from the Soviet bloc more than usual importance.

- 7 -

25X1A

Wheat imports in 1951, for instance, are expected to be over 50 percent more than those in 1950.



25X1

- 8 -

25X1A

